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TO RUEHC/SECSTATE WASHDC PRIORITY 5929

INFO RUEHZN/ENVIRONMENT SCIENCE AND TECHNOLOGY COLLECTIVE

RUEHBJ/AMEMBASSY BEIJING 8093

RUEHRL/AMEMBASSY BERLIN 1295

RUEHFK/AMCONSUL FUKUOKA 2283

RUEHNAG/AMCONSUL NAGOYA 1335

RUEHNH/AMCONSUL NAHA 4708

RUEHOK/AMCONSUL OSAKA KOBE 5881

RUEHKSO/AMCONSUL SAPPORO 3057

RUEHRC/USDA FAS WASHDC 8508

RUEAUSA/DEPT OF HHS WASHINGTON DC

RUCPDOC/DEPT OF COMMERCE WASHINGTON DC

RUEAIIA/CIA WASHDC

UNCLAS SECTION 01 OF 02 TOKYO 003456

SIPDIS

DEPT FOR OES/IHA

DEPT FOR EAP/J WEBSTER

USDA PASS TO APHIS CLIFFORD; FSIS FOR U/S RAYMOND

HHS PASS TO CDC, FDA, APSE, CMS

HHS FOR OGHA STEIGER, HICKEY AND WADWHA

SIPDIS

SENSITIVE

E.O. 12958: N/A

TAGS: [TBIO](#) [KSTH](#) [ECON](#) [PREL](#) [SOCI](#) [EAGR](#) [JA](#)

SUBJECT: HHS ACTING DEPUTY SECRETARY HARGAN'S MEETING WITH JAPANESE  
HEALTH MINISTER YANAGISAWA

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**¶1.** (SBU) Summary: On July 10, Department of Health and Human Services (HHS) Acting Deputy Secretary Eric Hargan met in Tokyo with the Japanese Minister of Health, Labor, and Welfare, Hakuo Yanagisawa. After a brief discussion of beef imports and food safety issues, they exchanged views on fostering innovation in Japan's pharmaceutical and medical device sectors. In a candid conversation, Acting D/S Hargan and Minister Yanagisawa agreed that Japan must deal with structural obstacles in its health system to reap greater benefits from innovation, and Acting D/S Hargan offered to assist Yanagisawa in these efforts in any way that would be useful. End summary.

#### Beef Imports and Food Safety

**¶2.** (SBU) On July 10, HHS Acting Deputy Secretary Eric Hargan met with Japanese Minister of Health, Labor, and Welfare (MHLW) Hakuo Yanagisawa. Acting D/S Hargan began by thanking Yanagisawa for the relaxation of import inspection requirements for U.S. beef, and said he looked forward to further relaxation so the Japanese public could enjoy more American beef. Acting D/S Hargan asked Yanagisawa to share Japanese perspectives on dealing with food safety issues with China. Yanagisawa responded that Japan has been dealing with the issue of chemical residues in Chinese food imports for many years, and has developed a framework to respond to the situation. He mentioned that media reports of food safety difficulties in the United States were helpful reminders to step up the Japanese system.

#### Innovation in Japan's Drug and Medical Sector

**¶3.** (SBU) Acting D/S Hargan turned to Japan's initiative to foster greater innovation, and noted that one would expect more innovative drugs and medical devices from a country with many of the world's leading scientists and technology companies. With unexpected candor, Yanagisawa responded that Prime Minister Abe's "Innovation 25" initiative includes a plan to develop Japan's growth potential in drugs and medical devices, to help Japan to recover "lost ground"

in these markets. He noted that Japan's global share of these markets is only 16 percent and that much of the problem can be attributed to the slow drug-approval process, the inability of innovators to recoup the costs of research and development, and administrative burdens that hinder foreign direct investment in the pharmaceutical and medical device industries. Acting D/S Hargan agreed that government controls play a key role in getting or preventing innovation from getting to market and that the U.S. Administration is striving to shorten the time it takes for innovative products to reach the market without compromising safety.

¶4. (SBU) Pointing to the example of Australia, Acting D/S Hargan noted that many of these structural obstacles can be overcome, but that countries such as Germany have also lost ground because of onerous requirements that hinder innovation. Yanagisawa agreed that Germany's reference-price system has discouraged innovation, and added that Japan's pricing system has also been a disincentive to innovation in Japan, though not to the extent as in Germany. Acting D/S Hargan concluded his comments by noting that public-private sector dialogue was important, and that transparent dialogue with industry allows discussion of key issues earlier in the process. He added that a discussion on generic drugs could also be central to reducing costs in the Japanese system, and offered any assistance Yanagisawa would deem useful. Yanagisawa assured Acting D/S Hargan that Japan is making efforts to reward innovation and increase the share of generic drugs on the market, but that the introduction of such changes needs to be gradual, so as not to "shock" Japan's domestic pharmaceutical industry. Yanagisawa thanked Acting D/S Hargan for his time, and indicated he very much valued these types of discussions with the U.S. Government and would welcome advice on these issues.

¶5. (SBU) Meeting participants:

U.S.:

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Ambassador J. Thomas Schieffer  
HHS Acting Deputy Secretary Eric Hargan  
Brian Harrison, Confidential Assistant to the HHS Deputy Secretary  
Nina Wadhwa, HHS Office of Global Health Affairs  
Toby Wolf, EST Officer (notetaker)  
Mikako Sano, Scientific Affairs Assistant

Japan:  
Minister of Health, Labor, and Welfare Hakuo Yanagisawa

Toshiyasu Ikenaga, Director, International Planning Office,  
Minister's Secretariat, MHLW

Dr. Tokuaki Shobayashi, Infection Control Planning Director,  
Tuberculosis and Infectious Diseases Control Division, Health  
Service Bureau, MHLW

Dr. Eiichi Seki, Director, Blood and Blood Products Division,  
Pharmaceutical and Food Safety Bureau, MHLW

Toshiyohi Tominaga, Planning Director, Evaluation and Licensing  
Division, Pharmaceutical and Food Safety Bureau, MHLW

Dr. Hideshi Michino, Director, Office of Import Food Safety,  
Inspection and Safety Division, Department of Food Safety, MHLW

¶6. (U) The HHS delegation has cleared this message.

SCHIEFFER